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CREDIT UNIONS

By
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Note

THE purpose of this booklet is to provide a guide to Credit Union organization and management. Differences will arise between industrial and rural practice, but it is expected that the rules of procedure here set out will form a sufficient foundation, and that any modifications or extensions necessary in particular cases will be applied by each Credit Union acting in its own discretion.

Introduction

Few proposals have so agitated the minds of rural reformers in this country and caused such a wide diversity of opinion as the proposal that Credit Unions should be inaugurated on as widespread a basis as possible in our rural districts. Perhaps the reason for much of the opposition which arose at the early stage was that Credit Unions were unknown and that the very meaning of the term was obscure. Certainly there was a very large amount of impassioned opposition to them on the ground that they could not achieve things which they were never intended to achieve. The result was that in the first two years in which the N.C.R.M. endeavoured to foster the idea of Credit Unions, there were simply "no takers."

To-day all that has changed. A number of Credit Unions have been inaugurated in different States of the Commonwealth and in place of the old pessimism an air of unrestrained optimism has spread among those who have tried the experiment. Perhaps this introduction which sets out to explain the purpose of Credit Unions in the rural community is as necessary to check the extremes of that enthusiasm as to finally allay the suspicions and uncertainties of those who are still not convinced that they have any part to play in the building up of rural life in Australia.

Of the record of Credit Unions in other countries, of the tried methods under which they have succeeded, it is not my intention to write at the moment. An outline of these matters is given in the chapters of this pamphlet and more detailed treatment is reserved for specialist works which can be obtained in many of our public libraries.

IN THE AUSTRALIAN ECONOMY

What is important here is to examine the part which Credit Unions can really play in the Australian rural economy. A Credit Union briefly is a co-operative organisation which exists both to encourage thrift in its members and to provide funds for the making of loans to those members who need them. The funds which are available for these loans are made up by the purchase of shares in the Credit Union, and by funds which are deposited with the Credit Union in much the same way as they are deposited with Savings Banks. As a true co-operative enterprise, irrespective of the number of shares bought or the amount deposited, the rule is one man one vote.

On reading the technical parts of this pamphlet, it will be found that shares are purchasable for as small an amount as £1 each, and that to make the process of buying shares even easier, it is provided that they may be obtained on instalments.

RURAL DEBT PROBLEM

The first reaction of the farmer is to ask in amazement how we can possibly imply that small local body which accumulates what can only be a limited amount of capital in this hand-to-mouth fashion can possibly hope to solve the debt problem of the average farmer. When the normal mortgage runs into thousands of pounds and when the number of mortgages of this size in a particular district may be considerable, what can a Credit Union do to help farmers out of the financial morass in which they find themselves?

The answer is that the local Credit Union does not aim at this large objective. The Local Credit Union does not aim at fulfilling the farmer's need for long term finance. To say this however is not to say that the aims of the local Credit Unions are unimportant. That is one

of the main fallacies which are current at the present moment. The pressure of debt contracted either with private mortgagees or with the great financial institutions is so heavy, it looms so large in the life of small farmers that they are inclined to dismiss the need for small and short term credit rather impatiently as if it were merely a detail.

KINDS OF DEBT

Yet the problem is two-fold. To say that the solution of the problem of small short term debt is of great importance in the life of the average farmer is not to say that the solution of the problem of long term debt is not overwhelmingly important. The Australian farmer, however, is not in any danger at the moment of under-estimating the importance of solving the problem of long term debts. Their sphere can therefore be left to a later part of this introduction.

An examination of the returns which have been made both by individuals and groups to the National Enquiry on Rural Debt which has been conducted by the N.C.R.M. most convincingly demonstrates how important these small debts are to the average farmer. It seems that there must be very few farmers who are not in urgent need of fifty, a hundred or two hundred pounds at a particular moment which they can make up from his own savings or reserves.

CROP AND STOCK LIENS

Many farmers have denied this, or have said that existing credit facilities for these small scale debts are adequate. Here there is no need to go on conjecture. Every year thousands of farmers give liens over stock or crops either to private individuals or to stock and station agents. This latter practice has become so normal that few farmers have considered that there is any alternative, although more and more are waking up to the fact that they are being grossly treated by these companies not only in the matter of interest but in the way in which these liens are used as the first step to obtain control of the farmer and his property.

Once a lien is given over stock or a crop the marketing of the produce involved is almost invariably in the hands of the company to whom the lien is given. In addition to interest charges the company profits by agency fees. And so it goes on.

STOREKEEPERS

There is another sphere of small scale credit which is not always apparent to the farmer. During the depression many farmers were forced to depend on the credit which could be extended to them by storekeepers. Many storekeepers were forced into bankruptcy during this period and very many of the farmers who depended on them followed. The dependence of farmers on storekeepers for greater or lesser periods is almost universal in Australia.

As a whole the storekeepers have stood behind the farmers in admirable fashion and without their assistance as a class it is very hard to see how, under the prevailing financial system, many farmers could have maintained their properties. But on consideration it is obvious that a system which is based on continuous debt is wrong and unjust both to farmers and to storekeepers. The storekeeper has to carry obligations for which his capital is really insufficient. If a bank or a private mortgagee forecloses on the farmer, the storekeeper generally finds himself without security. On the other hand the farmer is forced to bear the burden of added costs for his goods, since the storekeeper must add to his prices so that he will be able to pay the interest on the sums in which he is involved through the farmers' debts.

In both cases—of stock and crop liens and debts to storekeepers—which can vary from very small to relatively large sums, there is an

unnecessary burden of debt and interest and a resultant loss of security to the farmer. Undesirable in itself this system of small debt can develop very serious consequences since it can put the farmer into the hands of institutions whose whole existence depends on the continuation of a debt system.

Banks, stock companies and the rest depend in large part for their profits on what are called the credit services" which they extend to farmers. The farmer pays for these and if he pays only in interest and not in the eventual destruction of his independence he is a very fortunate man.

OTHER OCCASIONS

Numerous other occasions of these small debts could be enumerated. There is the matter of illness resulting in the all too familiar medical and hospital bills. A sudden bout of illness may cost a family a hundred pounds or more. In the less prosperous areas this may mean a most serious catastrophe for the farm family. There is the case of the farmer who has some medical complaint which is not acute, but which should obtain hospital treatment if in the long run his constitution is not to be destroyed. He does not go to hospital because he cannot meet the hospital bills.

There is the case of the young lad who wishes to put a deposit on a property so that he can marry and raise a family. He may work for years on small wages and never quite get to the point of having enough for the whole deposit—unless he is ready to wait for marriage until it is too late in which case he is the victim or until late in his own life, when a large family is impossible, in which case the nation is the victim.

All of these events occur constantly. Every example which has been given is one which is drawn from "real life" and which has come to the knowledge of the Rural Movement. Every one of these examples is certainly not unique but typical.

The trouble really is that we in Australia, and particularly in the rural districts of this country, have come to regard these things as normal, as part of a system which cannot be changed. Some more adventurous spirits, realising that the system is inhuman, develop monetary theories, which would reform the financial system as a means of counteracting the abuses.

SELF RELIANCE

Whether their reforms are good or bad does not matter. What is important here is that they demand on vast political changes, and not on the farming community itself. These large scale reforms may come in time and it may be a good thing when they do come. But, in the meantime, the farmers cannot wait. We cannot allow family after family, individual after individual to be destroyed in the vague hope that sometime in the uncertain future the full scale reform will be achieved.

The sponsors of Credit Unions intend to play their part here and now. They realise that in the cases which have been given as examples the farmers concerned have only two alternatives—either they accept individual "charity," if they can get it, or they go off the land, or they remain on the land in circumstances which makes the life a never-ending anxiety and torment. Our Movement is determined that here and now farmers, by their collective efforts, and by the exercise of a mutual charity, shall develop their own institutions which can take care of at least this one section of a farmer's financial worries.

Those institutions are Credit Unions. And the problem which, in first instance, they are designed to solve is that of the farmer's small-scale and often unsecured debts.

LONG-TERM CREDIT TOO

Even if they did nothing further they would deserve a tremendous effort to establish them on a nation-wide scale. In the long run, however, there is much more that they can do, and the whole sphere of long-term credit which is so essential to the welfare of the man on the land is not beyond them.

Of course, it would be ridiculous to maintain that the farmers in one small district, by means of the small regular contributions which go to make up the funds of the Credit Union, would ever be able to cater for the long-term financial necessities of the farmers of its own district. The dream that the individual Credit Union would be able to finance farmers to purchase properties as a whole is no more than a dream.

But what the individual Credit Union cannot do, Credit Unions as a combination can do. Just as the individual farmer is, as we have seen, helpless to confront the problem of small debts on his own, but in combination with others in a Credit Union can face up to these needs, so a combination of Credit Unions can go beyond the sphere of small debts and embark on long-term lending.

It is, perhaps, inadvisable and certainly looking very far ahead to speak about the possibilities of Credit Unions in the sphere of long-term finance, when our Credit Union organisation is only beginning in Australia, and when even these which have begun to operate are still far from their immediate local objectives.

But this much can be said. The time will come when each Credit Union (if regular contributions among all members continue), will have more money than it needs for its local short-term requirements. These surpluses will grow. The alternative will then arise of allowing them to lie useless, or of lending them to a regional and, finally, a national federation of Credit Unions.

At the present stage there is no point in detailing the enormous opportunities for surplus long-term credit which will arise from the pooling of the funds of thousands of Credit Unions. A proper co-operative banking system, founded upon the strength which will be provided by this vast number of Credit Unions, administered by the farmers themselves through their own representatives is the end of the road which is begun with the formation and successful operation of local Credit Unions.

In beginning Credit Unions, the Rural Movement is opening a new channel for rural betterment which is confined only to those who are willing to take part. No distinction of religion will be observed by those who begin Credit Unions. The members of the Rural Movement will provide, if they measure up to the task, the trained leadership, the knowledge and the inspiration which are needed to set the Credit Unions on their way. But the Credit Unions themselves will operate separately from the Movement and in each individual district separately from each individual Group. Their Constitution will be so framed that every member of the community, irrespective of his denomination, will have the right to participate both in the benefits and in the government of the Credit Union. Plans are already in hand for the formation of a National Federation of Credit Unions so that the benefits of combination between them will be available without delay as soon as they are ready to combine. In the meantime, the task of every Rural Group is to push ahead on the Credit Union road with all the power they can put behind their efforts.

B. A. SANTAMARIA.

TEXT PLAN

CHAPTER I.—THE FIELD OF CREDIT UNIONS

- (a) The Need
- (b) The Answer

CHAPTER II.—CREDIT UNIONS

- (a) What a Credit Union Is
- (b) What a Credit Union Can Do
- (c) Where a Credit Union Operates
- (d) How a Credit Union Operates

CHAPTER III.—THE HISTORY OF CREDIT UNIONS

CHAPTER IV.—HOW TO START A CREDIT UNION

- (a) Preliminary Discussion
- (b) Preliminary General Meeting
- (c) Inaugural General Meeting

CHAPTER V.—HOW TO RUN A CREDIT UNION

- (a) Functions of Four Working Sections
 - i. General Meeting
 - ii. Board of Directors
 - iii. Credit Committee
 - iv. Supervisory Committee
- (b) Duties of Officers
 - i. Treasurer
 - ii. Chairman
 - iii. Secretary
- (c) Detailed Review

APPENDIX

- (a) Legal Position of Credit Unions
- (b) Specimen Book-keeping
- (c) Specimen By-laws

" . . . that by thrift they may increase their possessions and by the prudent management of the same may be enabled to bear the family burden with greater ease and security, being freed from that hand-to-mouth uncertainty which is the lot of the proletarian."

"Quadragesimo Anno." Para 61.

CHAPTER I.

(A) THE NEED :

It should not be necessary to enlarge here upon the needs of Australia's workers in the matter of financial assistance, nor to labour the uncertain money incomes of small farmers and shop-keepers. It is impossible for many families within either of these two categories to live even in frugal comfort; but to prevent total extinction they must observe certain financial axioms :—

1. There must be no waste of money or kind.
2. Complementarily, every penny must be wisely spent.
3. Cash loans must be obtained from time to time to cope with any comparatively large expense of an immediate nature.

Accordingly, any service which seeks to relieve their condition must provide :—

1. Encouragement of the habit of thrift.
2. Education in matters of personal and domestic expenditure.
3. Cash loans of varying amounts, and usually for short terms, so that each loan can be repaid before another becomes absolutely necessary.

At present no service exists which offers all these aids. Our banks extend loans only to those persons who have security to offer, and this security is beyond the greater number of our people. They are forced to apply for relief to those institutions which carry on the business of lending money without tangible security, or which finance schemes of hire-purchase and time-payment trading.

Just how many of our people are forced to use these expensive avenues of credit is indicated by the number of loan and cash order offices operating—and flourishing—in our cities, suburbs and country towns. Hire purchase trading, necessary whenever ready money is not available, is so general that it is possible to buy on easy terms anything from a motor car to a perambulator, from a refrigerator to a set of saucepans, from a fur coat to a set of underwear.

It is a strange anomaly, indicative of the lack of responsible credit administration in Australia, that the only thing the farmer cannot buy on easy terms is his farm, nor can the worker obtain his home on such terms, "be it ever so humble."

Needless to say, exceedingly heavy prices are paid for these loans or extended terms accommodation. There are several reasons for these high charges :—

1. Salaries and overhead expenses.
2. The cost of maintaining verification machinery.
3. The risk of losses through bad debts.
4. The motive of profit, without which capital for such enterprises would not be forthcoming.

Any organization which can overcome these disadvantages can make credit available at a much lower cost than any now offering.

(B) THE ANSWER :

Alfred Desjardins, the prophet of Credit Unions in the western world, whose practical work we will review later, summarised the co-operative answer to this need in the following extracts:—"The people's welfare can best be secured by institutions organized by the people themselves . . . The ideal system would then be one which would offer a wide credit at the least cost, a credit available to all, while at the same time it appeals to all, in a constant and practical way, to lay aside for a rainy day; a system, in short, which should put at the disposal of the working classes the funds accumulated by themselves."

Let us examine his proposal and see what advantages accrue to a people's association. For this purpose consider the four factors of cost in credit already quoted, and the effect that such an association can be expected to have on each.

1. **SALARIES AND OVERHEAD EXPENSES.**—A people's association is a self-help scheme, and as such each member is prepared to do his share of the work without consideration of wages. No imposing office needs to be maintained, little furniture is required, and only stationery is a constant need. For these reasons this factor in cost is practically eliminated.
2. **THE COST OF MAINTAINING VERIFICATION MACHINERY.**—An association of persons bound closely together in their daily lives needs no machinery to verify the character of any of its members. A man's honesty or dishonesty soon becomes apparent to his associates. Faults and virtues alike are readily known, and so in an association verification machinery is unnecessary. This factor of expense is therefore eliminated.
3. **THE RISK OF LOSS THROUGH BAD DEBTS.**—Bad Debts arise from a desire on the part of certain borrowers to avoid their legal obligations. Wherever borrowers are bound to their creditors by other than cold legal ties, wherever, for instance, the parties are united by common interests, or a common loyalty, this desire to avoid repayment is replaced by an urge to repay. Loyalty, self-respect, devotion to the common cause, all play their part in producing this frame of mind. Thus an association reduces the risk of bad debts to a minimum.
4. **THE PROFIT MOTIVE.**—A people's association which sets out to make credit available to its members is designed to provide a service and not to make a profit. Moreover, since it is a co-operative enterprise, all or any profits are redistributed among the members.

It follows from this analysis that a people's association can best administer its own needs, funds forthcoming. This then is the answer to our needs.

CHAPTER II.

WHAT A CREDIT UNION IS, AND WHAT IT CAN DO

It has been said that, funds forthcoming, these people's associations can best administer their own credit needs. It will now be shown that Credit Unions represent the means whereby such associations may accumulate funds and make loans available to members at reasonable rates of interest, sharing profits made on all transactions among the members themselves.

- (a) **WHAT A CREDIT UNION IS.**—A Credit Union is an association of persons, who, by voluntary contributions and co-operation, make available a fund for the granting of loans to its own members for approved purposes.
- (b) **WHAT A CREDIT UNION CAN DO.**—A Credit Union can be made to provide a three-fold service for its members:—
1. To provide a thrift plan, encouraging members to save and accumulate. It is the aggregate of members' savings from which loans are made. Particularly among city workers, the Credit Union represents a handy pool for those odd shillings that would otherwise be trifled away.
 2. To provide education for members in matters of personal and domestic finance. Common problems mutually discussed and overcome provide experience from which all may learn, and this pooling of knowledge may relieve members of much of the anxiety they would otherwise experience.
 3. From the funds thus accumulated, **TO MAKE LOANS AVAILABLE TO MEMBERS.** Security may be required only for such loans as exceed the limit of prudence fixed by the members themselves. Interest at a nominal rate only is charged on these loans, and all profits earned by such lending remain the property of the members themselves.
- (c) **WHERE CAN A CREDIT UNION BE OPERATED.**—If such an association is to work in true harmony, certain things are essential.
1. All members must meet together in their daily lives on such occasions and in such manner as to inspire mutual interest and regard. Their lives should be so bound together that a desire to aid each other is engendered. This is coldly called "the co-operative spirit". It is, in fact, one form of expression of that love of our neighbour which is demanded of Catholics as a condition of salvation.
 2. All members must have a community of aims; they must all, figuratively speaking, be travelling in the same direction. For instance, if in a rural community of people endeavouring to the best of their ability to develop healthy families and contented homes, there are some whose sole desire is to exploit their present condition for the purpose of investing and retiring to an elaborate town flat with all "mod. cons." and the temporal advantages which such an existence might seem to offer, there is a serious lack of sympathy between the two kinds of people. Such a lack would be disastrous to the association.

3. A strong bond of loyalty must bind all members to the association and its progress. To ensure this, all members must be interested in the scheme, must take a hand in its management, must have a voice in its decisions; and be informed of its progress. They must be so protected that it is possible for every member to use the resources of the association to the full.

Several forms of people's associations may be suitable to the formation of a Credit Union:—

- (a) Vocational: Such as a trade union, or a group of employees in the same workshop;
- (b) Recreational: Such as a tennis club, a football club, or an amateur theatrical society;
- (c) Regional: As for example the residents of a country district, or of a parish in the metropolitan area.

(d) HOW A CREDIT UNION OPERATES.—

- (i) The Accumulation of Funds: The nominal value of each share in the Credit Union is defined by the members in General Meeting, and members are invited to subscribe for as many such as they desire. Such subscriptions may be made by weekly, fortnightly, monthly, or quarterly payments as best suits each member, but no member shall have more than one vote, irrespective of the number of shares he may hold.
- (ii) Making Loans: A member may apply for a loan irrespective of the amount he may have paid up on his shares. He may set out in his application the amount and purpose for which the loan is required, and the most suitable method of repayment. Interest will be charged on each such loan at the rate decided upon by the General Meeting.
- (iii) Declaring Dividends: At the end of each trading period the total interest received is calculated. From this is deducted all interest allowed, and expenses paid, to arrive at the surplus income. Twenty per cent. of this surplus is then set aside to a reserve, and the balance represents the amount available for dividend, being then distributed among the members according to the amounts of their respective share subscriptions.

ST. PATRICK'S CATHOLIC COMMISSION
ST. PATRICK'S CATHOLIC COMMISSION

CHAPTER III.

THE HISTORY OF CREDIT UNIONS

Credit Unions represent a development of the urge to co-operation born of the desperate plight of the workers and peasants of Europe following the Napoleonic wars and the Industrial Revolution. Many minds had been exercised by the problem of extending co-operative enterprise to the field of credit before Francois Haecck set up the first successful credit union in Brussels in 1848. In Germany, Herman Schulze-Delitzsch in an urban, industrial setting, and Frederick William Raiffeisen in a rural one, were each pursuing distinct experiments to help their own particular peoples.

Schulze Delitzsch commenced practice in 1850 and Raiffeisen opened his first Credit Union four years later. Their ideas were carried to Italy by Luigi Luzzatti who founded a "People's Bank" in Milan in 1866, and Leone Wolleberg, who introduced a modified Raiffeisen Society into rural Italy. The movement travelled abroad, and we find Credit Unions mentioned in Japan as early as 1900, while many were set up in India under an Act dated 1904.

Of much greater interest to us, however, is the introduction of Credit Unions to the Western world by Alphonse Desjardins, who was knighted by the Pope in 1913 for his work in organizing Credit Unions.

Desjardins spent fifteen years in Europe studying various forms of the Credit Union idea, and in 1900 he founded his first Credit Union in a Catholic parish in Quebec, with an initial instalment of one dime, and a total first subscription of twenty-six dollars. In 1909 he was invited to take the idea to Manchester, New Hampshire, and thus introduced Credit Unions into the United States of America.

From these beginnings the Credit Union movement has grown considerably. Before he died in 1883, that is after approximately thirty-three years of practice, Schulze Delitzsch founded 1,910 of his societies, with a total membership of 466,000. In approximately the same time William Raiffesen organized 425 societies, together with a Central Credit Union for all his associations. At the outbreak of this latest war Germany had over 52,000 Credit Unions; Belgium had about the same number, and thousands were operating in France, Austria, Hungary, Lithuania, Bulgaria, Roumania, Italy, Ireland, Japan, Egypt, India, Argentina, the Phillipine Islands and Hawaii.

Desjardins' Association from its original twenty-six dollars had 188,306 dollars in 1912, and by 1938 its resources totalled 1,303,927 dollars. Quebec now has 498 Credit Unions covering 101,620 members with resources amounting to 22,000,000 dollars. Canada, as well as these, boasts 483 Credit Unions with 56,000 members and total resources of more than 2,000,000 dollars. In America the progress of Credit Unions has been followed by legislation enacted to protect and encourage them so that there are now statutes in each State, as well as a Federal Act under which Credit Unions may be set up anywhere within U.S.A. Under the protection of these acts more than two and a half million persons enjoy Credit Union membership, commanding resources conservatively estimated at 214,644,522 dollars.

Though these figures are in themselves conclusive, far greater testimony to the efficiency of Credit Unions is paid by writers who have been guided by human and moral considerations rather than statistics.

The results of Credit Union development in Germany are referred to by Dr. Warbasse in "Co-operative Democracy": "It has been of especial service in Germany where it has raised the poor peasant from a state of terrible poverty to independence and self-reliance. Districts in which the credit banks have been established have undergone a marvellous change."

Arthur H. Camm and Leonard Robinson, American students of the Credit Union movement, speaking of the effect of the movement on the Continent generally, say: "It has regenerated and accelerated agriculture, commerce and industry. It has stamped out usury and raised millions of souls from the depths of despair to lives of hopefulness and purpose. It has supplanted listlessness by industry, improvidence by thrift, intemperance by sobriety, self-interest by neighbourliness, individual effort by concerted action—in fact, has proved to be one of the most potent moral, educational, and social forces in the history of civilisation and in the enlightenment of the common people."

Dr. Muench, Bishop of Fargo, N.D., says: "It goes without saying that the tendency of Credit Unions is to maintain in their members independence and self-respect. That is perhaps the most important aim of social charity."

Father M. M. Coady, of St. Francis Xavier University, and Canadian Co-operative leader, speaking from his experiences says: "These will permit men to help themselves and their unfortunate neighbours and to move forward under the power of newly released group energies. They will give expression to the innate charity of man that finds its natural outlet in an organic interdependent society."

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CHAPTER IV.

HOW TO START A CREDIT UNION

(a) Preliminary Discussion :

Credit Unions must never be superimposed, but must take root and grow from the force of their own inspiration, each Credit Union being an education and an incentive to its own members. It is not to be expected, however, that a Credit Union will arise suddenly from nothing. A lot of groundwork is necessary. At first the idea of a Credit Union must be introduced; people must be told what a Credit Union is, what it can do, and how it can do it. Prospective members must be educated to the field which a Credit Union can open up to them.

The result of all discussions and deliberations should be communicated to the Credit Union Department of the Movement. Then a preliminary meeting of all likely members may be arranged at which a representative of this auxiliary will explain the purpose and methods of Credit Unions.

(b) The Preliminary General Meeting :

At this first meeting the significance of the General Meeting in the operation of a Credit Union will be emphasised, so that members will be aware from the very beginning of the sovereign power which is theirs. The whole procedure of Credit Union operation and control will be outlined, and any questions or objections answered. Before the conclusion of the meeting a date should be fixed for the first General Meeting of the proposed Union.

Before the first General Meeting of the new Union all prospective members not present at the preliminary meeting should be canvassed, and the nature and scope of the proposed Union discussed.

(c) The Inaugural General Meeting :

The agenda for this General Meeting will be as follows:—

1. Meeting to be opened by the provisional chairman, and the functions and powers of the general meeting in Credit Union operation explained.
2. Address by priest, explaining need for Catholic charity in order to produce the greatest benefits of co-operation.
3. Election of Committee of Directors.
4. Directors retire to meet in committee and elect office-bearers in the following order:
 - (i) Treasurer;
 - (ii) Chairman;
 - (iii) Secretary; then Vice-President and Asst. Secretary if necessary.

5. Meeting to be officially opened by the duly elected Chairman.
6. Confirm motion of preliminary meeting for the inauguration of the Credit Union.
7. Name the Credit Union. (It is as well to have on hand a number of suggestions to give members some idea of the sort of name that is desirable.)
8. Confirm motion appointing directors.
9. Adopt by-laws.
10. Elect Credit Committee.
11. Elect Supervisory Committee.
12. Fix rate of interest to be charged on loans.
13. Set limit on loans to be granted without security.
14. Decide nature of security required for loans beyond that figure.
15. Fix length of time to elapse between each general meeting.
16. Fix hours and days during which Treasurer is to be available, and also the location of his office.
17. Open subscription list. As well as setting out the name and address of the proposed member, this list should specify the number of shares each member desires to subscribe, and the method of subscription proposed in each case.

DIOCESAN HOLISTIC COMMISSION
ST PATRICK'S CATHEDRAL, MELBOURNE

CHAPTER V.

(A) HOW TO RUN A CREDIT UNION:

The operation of a Credit Union is carried out by four working sections, viz.:—

- (1) The General Meeting;
- (2) Board of Directors;
- (3) Credit Committee;
- (4) Supervisory Committee;

the functions of which are:—

1. **THE GENERAL MEETING.**—The General Meeting is the sovereign controlling body of the Union, and has all those powers necessary for the proper exercising of that control. The general meeting must be held regularly, at quarterly intervals wherever possible, or where this is not possible, half-yearly.

The functions of the general meeting may be summarised thus:—

- (a) To inaugurate the Credit Union.
- (b) To make the by-laws of the Union.
- (c) To elect the necessary committees.
- (d) To ratify or rescind all decisions made by these committees concerning the union itself.
- (e) To fix the limit of unsecured loans.
- (f) To fix interest rates.
- (g) To receive reports of each committee covering its activities for each period.
- (h) To act as referee in all matters between the Credit Union and individual members.

2. **THE DIRECTORS' COMMITTEE.**—This Committee may consist of from three to twelve members, according to the number of probable members of the Union. The members of the Committee should be men of some degree of business experience, men of tact and men of drive who will be directors in fact as well as in name. Each director is required to submit to election periodically, and the committee should be so drafted that only one half of its members retires for re-election at any one time. (This provision applies equally to each of the other committees, as it ensures a leavening of more experienced members in each year's committee.) The functions of the directors' committee are:—

- (a) To elect the officers of the Union from amongst its own members.
- (b) To fix the bank of deposit, in which all monies of the Union will be placed pending investment.
- (c) To disqualify, or otherwise discipline, any one of its own members for an unreasonable absence from meetings, or any abuse of office.
- (d) To receive the monthly financial report and statement of the Treasurer.
- (e) To convey a full report of its operations to each general meeting.
- (f) To exercise all other such powers as may be necessary for the well-being of the Union. In this, of course, it must respect the rights of the other committees constitutionally elected—and be subject to the veto of the general meeting.

3. **THE CREDIT COMMITTEE.**—This should consist of from three to five members, and should be truly representative of the different persons which the Union is designed to serve. Thus if half of the members are farmers and farm employees, while the other half is composed of school teachers, store-keepers, etc., the credit committee should be similarly constituted. If a certain proportion of the members are women, then women should be represented on the Credit Committee in approximately the same proportion.

Members of this committee should be in a position to know, or at least to ascertain, the moral character of all members, and to have at least an elementary knowledge of the general condition of each member. Alfred Desjardins, already quoted at some length, has this to say of the Credit Committee:—

"The Credit Committee deals exclusively with loans to members. Its duties are delicate and important and the selection of its members must be made with care . . . for it is the moral character of the borrower that will be the prime guarantee of the faithful reimbursement of the sums borrowed . . . if one member (of the Credit Committee) present is opposed to a loan or does not give his consent to it, the decision is suspended until he has obtained all of the information necessary to justify him in sharing the opinion of his colleagues. If such an unanimity cannot be established, the loan is refused." At the same time, a solemn obligation rests upon each member of the Credit Committee to see that he has good grounds for withholding his consent, and that it is not a matter of personal bias, or prejudice. "I've never been able to 'cotton on' to the fellow, myself" is no reason, and the Credit Committee man who feels obliged to tender some such explanation, even if only to his innermost self, is unworthy of his office, and should resign immediately.

The duties of the Credit Committee are:—

1. To consider members' applications for loans.
2. To fix regular meeting dates or to hold a meeting whenever requested to do so by the Treasurer.
3. To interview any member, or depute any of its members to do so, for the purpose of discussing his application.
4. To act as an advisory committee in all financial matters of the members. That is to say it is expected to guide a member in his financial affairs whenever possible.
5. Since a great deal of confidential knowledge concerning each member comes into its keeping, the Credit Committee need not make a detailed report to the general meeting, but should present a report in summary setting out the statistics of applications received, loans granted, and for the guidance of members, the purposes for which loans have been approved or rejected during the period under review.

As an indication of the considerations which would occupy the minds of Credit Committee members when faced with an application for a loan we submit the following suggestions:—

1. Consider the batch of applications in order of amount, dealing with the smallest first, and working upwards.
2. Consider the amount of the loan requested bearing in mind the total funds available for investment, and the purpose for which the loan is required. Needless to say the Committee will come to have a very good idea as to the sufficiency or otherwise of the amount for the specified purpose, and where desirable should discuss this phase with the applicant directly. It is in this manner that the Credit Committee can best fulfil its function of educating and advising members.
3. Consider the purpose for which the loan is required. An urgent purpose will demand a priority over other loans which might not otherwise be forthcoming.
4. Where the amount required is a large one, in excess of the amount recommended by the general meeting as available without security, the credit committee must refer the application to the member, with a request that he provide the names of two members who will act as guarantors or endorsers. These proposed guarantors must have, between them, shares totalling the amount by which the proposed loan exceeds the maximum unsecured loan fixed by the general meeting.

5. Having decided that the purpose for which the loan is required is a reasonable one, and that the amount is adequate, the committee should next endeavour to see that the stipulated repayments are within the member's capabilities, and yet not so small as to drag the loan repayment out over an undesirably long period of time.
6. All these questions having been answered the Credit Committee should now decide on the personal qualifications of the member, a task which must be undertaken seriously. Too severe a judgment will thwart the purpose of the Union, viz., to help the needy member; and too lenient a judgment will result in a loss to the Credit Union, with a consequent weakening of its structure.
7. Where insufficient personal knowledge can be brought to bear upon a particular applicant, the application should be deferred to enable tactful enquiries to be made among the member's immediate associates.

4. **THE SUPERVISORY COMMITTEE.**—This should consist of two, and should not consist of more than four members. The role of this committee is the same as that of the auditors appointed by a company. But, though like an auditor responsible for establishing the accuracy of the records, this committee must go further and act not only for the protection but for the benefit of each member. This latter function demands that its members keep a discriminating watch on the relations existing between the union and each single member, so that no man may be victimised, or imposed upon because he has not had sufficient courage to speak for himself or sufficient knowledge to advance his own cause successfully.

The functions of the Supervisory Committee are:—

1. To see that all monies received are honestly applied and faithfully accounted for. Any steps which the committee may see fit to take in order to make these verifications, are justified, and therefore permissible.
2. To examine the Treasurer's books of account, members' subscriptions cards and pass books, and bank certificates showing the balance on hand from time to time, comparing these with the balances shown on the Treasurer's monthly statement of affairs.

To carry out these duties thoroughly the Supervisory Committee should set itself out to answer the following questions:—

1. (a) Was all cash on hand verified and found correct?
 (b) Does the Treasurer reconcile the Cash Book and Bank Pass Book regularly?
 (c) Are all receipts deposited in the bank of deposit within the time limit fixed by the union?
 (d) Have all cheques been properly signed and counter-signed?
 (e) Has all cash paid out been justified by presentation of authentic vouchers?
 (f) Has the Treasurer regularly and accurately presented the monthly statement of affairs?
2. Were all loans granted during the period under review
 (a) Supported by loan applications properly executed and approved by the Credit Committee?
 (b) Correctly entered in the individual member's accounts?
 (c) Within the limit of unsecured loans fixed by the Union?
 (d) If not, were adequate endorsements obtained for those in excess of that amount?
3. Were any loans
 (a) In arrears of the promised repayment?
 (b) In arrears unsupported by written explanations of the delinquent members?

- (c) Or any balance thereof written off as unrecoverable?
- (d) Made to directors or committee members in excess of their share holdings?
- (e) Endorsed by directors or committee members?
4. Were all bookkeeping entries correctly made, all items being posted to correct accounts?
5. Have all interest and dividend calculations been verified?
6. Have all members' pass books been verified and the balances checked with those showing in the members' individual accounts?
7. Is the Treasurer bonded? Should he be?
8. Have you any suggestions for the betterment of the Credit Union organization?

(B) DUTIES OF OFFICERS:

1. THE TREASURER

- (a) As one of the directors of the Union he must attend all meetings of the committee held during his term of office.
- (b) He must make himself available to members at the appointed place at the proper time to receive share subscriptions, loan repayments, deposits, loan applications and general questions, as well as to hand to members whatever loan cheques may be forthcoming.
- (c) He must enter in the members' subscriptions lists or pass books a detailed record of all monies received, showing the date, amount, and balance outstanding.
- (d) He must make a summary of all such receipts and deposits—the total amount collected—immediately after each day's business.
- (e) He must register his signature with that of the Chairman as co-signatory of all valid cheques of the Union.
- (f) He must make a summary of the financial position of the Union for each month, and present it to the directors, together with a reconciliation statement bringing his books into line with the balance certificate issued by the bank.

2. THE CHAIRMAN

The Chairman is the nominal head of the Credit Union.

- (a) He must attend all meetings of the general body held during his term of office and preside thereat, as well as all directors' meetings for the same term.
- (b) He must co-sign all cheques with the Treasurer. Before doing this, of course, he must satisfy himself as to the authenticity and correctness of each cheque.
- (c) At the end of each term he must report to the general meeting on the activities of the Union in general, and of his own committee in particular.
- (d) He should be fully aware of the dignity of his position and take a keen interest in the welfare of the union.
- (e) Without making a nuisance of himself he should watch all committees to see that they are functioning correctly.
- (f) He should mix freely with members, studying their reactions and dealing with any complaints. The Chairman can thereby inspire his committee and help to direct the Credit Union along sound lines. To do this he must know Credit Union theory thoroughly and should have sufficient common sense to apply this knowledge in practice.

3. THE SECRETARY

- It is the secretary's duty to maintain contact between the Credit Union and the outside public.
- He must communicate regularly with the Credit Union Department of the Movement.
- He must attend to all correspondence.
- He must keep the minutes of the general meetings and of the directors' meetings.
- He should assist the Treasurer wherever possible, particularly in the keeping of the books of account.
- His own petty cash records and a summary of the bank statements presented monthly by the Treasurer he must keep properly filed so that the supervisory committee can audit the books of the Union without any great trouble.
- In general he must carry out all the lawful instructions of his directors.

(C) DETAILED REVIEW:

Let us now trace the progress of a member through all the phases of Credit Union operation, and with this progress the steps to be taken at each stage by the Treasurer.

- APPLICATION FOR MEMBERSHIP** must be made in a form similar to the following:—

I HEREBY make application for membership of.....
.....Credit Union, and in support of my application
I submit the following particulars, which I declare to be true
and correct in every detail:—

NAME..... Christian NAME.....

Husband's/Wife's Christian NAME.....

Address..... How Long?.....

Previous Address..... How Long?.....

Signature (to be used in all dealings with the Union)
.....

I..... of.....
being a member of the above Credit Union certify that I have
known the above applicant for.....years, and con-
sider he is a fit person to be a member of the Union.

Signature.....

Figure 1.

When properly filled in, this application should be handed to the Treasurer, who, after checking it, will hand it to the Directors for their consideration. When they have decided that the applicant is a desirable member they will grant him

2. ADMISSION TO THE UNION.—The Treasurer will be notified and will accept from the member the prescribed entrance fee, together with his first share subscription. These will be recorded on the left, or receipt, side of the Treasurer's Cash Book as shown in Figure 4. At the same time he will open an account for the new member in the Member's Ledger, making an entry therein as shown in Figure 6.

He must issue a Pass Book or Member's Card showing the details set out hereunder, at the same time making an entry for the subscription as shown. For convenience the Pass Book here set out includes the entries that would usually be spread out over a period of some length:—

PASS BOOK

Member's Name..... Ledger No.....

Address..... Admitted.....

Sponsored by.....

Chairman's Signature.....

SHARES			LOANS			
With-						
Date	Paid In	Balance	Date	Paid In	Paid Out	Balance Int.
2/6		2/6			5 0 0	5 0 0 3d.
2/6		5/-				4 15 0 3d.
2/6		7/6				4 10 0
2/6		10/-				4 5 0
2/6		12/6				4 0 0
2/6		15/-				3 15 0 3d.
2/6		17/6				3 10 0
2/6		1/-/-				3 5 0
2/6		1/2/6				3 0 0
2/6		1/5/-				2 15 0 2d.
2/6		1/7/6				2 10 0
2/6		1/10/-				2 5 0
2/6		1/12/6				2 0 0
	12/6	1/-/-				1 15 0 2d.

N.B.—Interest will appear in the member's Pass Book only on such occasions as the member makes a payment of interest, and not until the payment has actually been received. This differs from the entry in the members account in the Member's Ledger where interest is entered at each period of calculation, e.g., where interest is calculated monthly the amount of interest calculated will be charged to the account immediately; where calculations are made quarterly the charge will be entered to the account at the beginning of each quarter.

Figure 2.

4. APPLICATION FOR A LOAN should be presented to the Treasurer in the following form:—

APPLICATION FOR LOAN

I..... of..... Membership

No.....hereby apply for a loan of.....for the

following purpose

.....
and I promise to settle the loan by weekly instalments of.....
commencing one week from the date of receiving the loan.

SPECIAL REMARKS:—Include here any information that will help the Credit Committee to come to a decision such as the particular need for urgency, or the latest date by which loan is required; any business references available, etc.

Signature.....

N.B.—As on Application Form.

Figure 3.

This application should be handed to the Treasurer, who will check it and hand it on to the Credit Committee. When this Committee has decided on the loan it will notify the Treasurer, handing him at the same time a Promissory Note to be executed by the borrower. Where the Union has been registered according to law, this Note will be made in favour of the Union by name, but when this is not possible the note should be made in favour of the Chairman and Treasurer jointly, and they may sue on it jointly. Where such a course is adopted the Promissory Note must be handed immediately to the Supervisory Committee who will hold it WITHOUT ANY RECOURSE TO THE CHAIRMAN AND TREASURER, who will sue thereon only when requested to do so by the Supervisors.

A cheque will be issued to the borrower, duly signed by the Chairman and Treasurer, and the Treasurer will make an entry on the right hand, or Payments, side of his Cash Book, as shown in Figure 5, and on the member's account as shown in Fig. 6. When the member receives the cheque he will present his pass book and the Treasurer will enter the loan in the Loan section as shown in Figure 1.

(N.B.—The Credit Committee may require in certain circumstances—indeed it may do so in all cases—that the Pass Book be retained during the course of repayment.)

5. **CALCULATION OF INTEREST.**—As indicated earlier, interest must be calculated at regular intervals, monthly or quarterly as decided on by the general meeting. A ready reckoner which can be had for a few pence will be sufficient guide to Treasurers in this matter. At the beginning of each period the interest for the time will be calculated and entered in the member's account in the Members' Ledger as shown in Figure 4. When received from the member, and not before, it will be entered in the Interest column of the Pass Book. At the same time it will be entered in the Interest column of the Treasurer's Cash Book as shown in Figure 3.

6. **DECLARATION AND PAYMENT OF DIVIDENDS.**—Over each trading period of twelve months the amount of interest actually received from members should exceed the total of interest paid out—if any, and expenses met. Add to this excess the amount of interest received from the bank to ascertain the surplus income. Of this surplus at least one-fifth must be set aside to a reserve fund, and the balance is available for dividends, which should be calculated in the following manner :—

Take the account of each member individually. Each complete share must be multiplied by the number of months of the year during which it has been paid for in full. The sum of these totals will represent the member's proportion of the total divisible income.

EXAMPLE :

A. had	1	share	paid	up	for	9	months	..	1	x	9	—	9
	2	"	"	"	"	6	"	..	2	x	6	—	12
	3	"	"	"	"	3	"	..	3	x	3	—	9
												Total	— 30
B. "	1	"	"	"	"	10	"	..	1	x	10	—	10
	2	"	"	"	"	8	"	..	2	x	8	—	16
	3	"	"	"	"	6	"	..	3	x	6	—	18
	4	"	"	"	"	4	"	..	4	x	4	—	16
	5	"	"	"	"	2	"	..	5	x	2	—	10
												Total	— 70

Presume that an aggregate of member's totals so calculated is 3000 and that the divisible income is £25/-/-. Then A. will receive

30 of £25 = 5/- and B. will receive 70 of £25 = 11/8.

3000

3000

These dividends will be paid to members in cash, the entry passing through the Dividends column of the Treasurer's Cash Book as shown in Figure 4 but having no entry in Member's account or Pass Book unless such member elects to re-invest it in the Union in the form of shares, when it will be treated as an ordinary cash subscription which he pays in as usual.

APPENDIX A.

THE LEGAL POSITION OF CREDIT UNIONS

Australia has no Federal or State legislation designed to cover Credit Unions. As a matter of fact there does not appear to be any legislation which even presumes their existence. Accordingly the legal position of our Credit Unions will vary from State to State. However, it is felt that legislation will be forthcoming as soon as its necessity becomes more apparent. In the meantime we advise all students to ascertain the relation of Credit Unions to existing laws and to communicate their difficulties to the Central Auxillary. In particular the following Acts should be consulted wherever they occur, as they are the ones most likely to affect Credit Unions :—

Companies Acts.

Industrial and Provident Societies' Acts.

Friendly Societies' Acts.

Moneyleaders' Acts.

Co-operation and Co-operative Societies Acts.

Banking or Banking Societies Acts.

ASCERTAIN LEGAL POSITION OF CREDIT UNIONS

It has been pointed out that the Co-operation Act of New South Wales (1941) does make provision for "Rural Credit Societies" and "Urban Credit Societies" and therefore presumes the existence of Credit Unions. Students of the movement in that State are therefore recommended to refer particularly to that Act.

APPENDIX B.

BOOK-KEEPING

TREASURER'S CASH BOOK

Left hand side—Receipts.

Date	Name	Share Sub.	Loan Repays	Depts.	Inst.	Fines Fees	Sun- dries	Total	Banked
1/4/41	Brown	2/-			-/3	1/-		3/-	
	Jones	2/6	2/6		-/3			5/3	
	Smyth		5/-			-/6		5/6	
	Hill	1/-	3/-		-/2			4/2	
	Ryan	4/-	4/-			1/-		9/-	1/6/11
		9/6	14/6		-/5	2/6		1/6/11	

Figure 4.

Right hand side—Payments.

Date	Name	Loans	Divs.	General Expenses	Sundries	Total	Bank
1/4/41	Cheque 101						
	Wall	5/0/0				7/0/0	
	Hynes	2/0/0				1/10/0	1/10/0
	Cheque 102			1/10/0		1/10/0	
	Cheque 103						
	White	10/0/0				10/0/0	10/0/0
	Cheque 104						
	Brown		1/0				
	Jones		1/3				
	Smyth		1/0				
	Hill		2/9				
	Ryan		1/6			7/6	7/6
		17/0/0	7/6	1/10/0		18/17/6	18/17/6

Figure 5.

MEMBER'S LEDGER

Name..... Address..... Folio.....

Date	SHARES		LOANS		Bal.	Int.	Fines Fees	Divs.
	Paid In	With- drawn	Balance Paid In	Paid Out				
1/4/41	2/6		2/6				2/-	
8/4/41	2/6		5/-					
15/4/41	2/6		7/6					
22/4/41	2/6		10/-					
29/4/41	2/6		12/6					
3/5/41				5/-/-	5/-/-	-/3		
10/5/41	2/6		15/-	5/-		4/15/-		
13/5/41	2/6		17/6	5/-		4/10/-		
30/6/41		10/-	7/6					3/-

Figure 6.

MONTHLY STATEMENT OF AFFAIRS

To be prepared monthly by Treasurer and presented to Directors, afterwards being filed by Secretary for convenience of Supervisors.

RECEIPTS.—Share Subscriptions	
Loan Repayments.....	
Deposits	
Interest	
Fines, Fees, etc.	
Sundries	Total £.....

PAYMENTS.—Loans Paid Out.....	
Dividends	
Expenses (Detailed List).....	
Sundries	Total £.....

Balance, representing Cash at Bank £

Bank Reconciliation Statement.

Balance at Bank as shown in Pass Book	£
Add All Deposits made for month not yet included in Pass Book	£
TOTAL	£

Deduct All Cheques drawn but not yet presented ..	£
and Cheques presented not yet entered in Pass Book	£

Balance at Bank as per Cash Book . . . £

APPENDIX C.

SPECIMEN BY-LAWS OF A CREDIT UNION

Section One — Name and Purpose.

1. The name of this Credit Union shall be.....
2. The purpose of this union is to promote thrift among its members by affording them an opportunity for accumulating their savings; and to create for them a source of credit for loans for provident or productive purposes.

Section Two — Qualification for Membership.

1. Membership of this union shall be limited to the members of.....
2. Application for membership must be made in writing in the approved form, and each such application must be sponsored by a person already a member who can certify that the applicant is a person suitable for membership, of honest and upright character, possessed of the goodwill necessary for the success of the Union.
3. An applicant shall not be admitted to membership except by the affirmative vote of a majority of the directors present at the meeting at which the application is submitted.
4. When passed by the directors in the manner set out, the applicant shall be required to pay an entrance fee of..... before being entitled to any of the rights or privileges of membership, and shall have undertaken to subscribe for at least one share.
5. A member who withdraws all of his share holdings thereby ceases to be a member.
6. Subject to the conditions contained in these by-laws, a member who ceases to be a member of may retain his membership in the Union, but may not borrow therefrom in excess of his share holdings without the endorsement of a financial continuing member.

Section Three — Capital and Liability.

1. The par value of each share shall be Subscriptions to shares are payable at the date of admission, or by stipulated instalments on each share so subscribed, in multiples of 1/.
2. The maximum number of shares which may be held by any one member shall be fixed from time to time by the Board of Directors.
3. All or any monies paid in on shares may be withdrawn on any day when payment for shares may be made, but the Board of Directors shall have the right to require sixty days' notice of such intended withdrawal.
4. No member may withdraw any share holdings below the amount of his total liability to the Credit Union, actual or contingent, without the express consent of the Credit Committee.

Section Four — Payment of Monies — Passbooks.

1. Monies paid in on account of shares, deposits, loan repayments, interest, fines or fees, and money paid out on account of loans made or shares withdrawn in whole or in part shall be evidenced by entries in the member's passbook which shall contain the recording of each of these transactions initialled by the Treasurer, or duly authorized officer of the Union. No money shall be received or paid to a member unless the pass-book is presented, and an authorized entry made therein.

2. If a passbook be mislaid immediate notice thereof must be given to the Treasurer, and written application made for the issue of a duplicate passbook. The Board of Directors shall be entitled to require an indemnity from the member against any loss arising out of such an issue of a duplicate passbook.

Section Five — Meetings of Members.

1. The general meeting of all the members shall be held at..... on.....
2. At least seven days before the date of the general meeting, the Secretary shall cause written notice thereof to be handed to each member in person or forwarded to his most usual place of abode by mail.
3. Special meetings of members may be called by the President or by the Supervisory Committee; and shall be called by the President on the written request of not less than one-fourth of the total number of members.
4. The agenda of each routine general meeting shall be :—
 - (a) Roll Call.
 - (b) Reading of minutes of previous meeting—approval or correction.
 - (c) Report of Directors.
 - (d) Report of Treasurer.
 - (e) Report of Credit Committee.
 - (f) Report of Supervisory Committee.
 - (g) General business.
 - (h) Elections.
5. Except where otherwise provided, sixty per cent. of the total number of members shall constitute a quorum. If no quorum is present, an adjournment may be taken to a date not less than seven days, or more than fourteen days later; and the members present at such adjourned meeting shall constitute a quorum irrespective of number.

Section Six — Elections.

1. At each election date the Chairman shall call for nominations for all positions to be filled on that date. When nominations have closed, scrutineers shall be appointed, ballots allotted, and votes counted. Voting shall be on the preferential system unless otherwise provided, and results shall be announced by the scrutineers before the close of the meeting.
2. Nominations and elections shall be in the following order :—
 - (a) Directors.
 - (b) Credit Committee.
 - (c) Supervisory Committee.
3. No member shall be entitled to vote by proxy.
4. No member shall have more than one vote, irrespective of the number of shares he may hold.
5. Within thirty days of such election the Secretary shall forward the names and address of appointees to the Credit Union Department of the movement.

Section Seven — Board of Directors.

1. The Board of Directors shall consist of members.
2. At the first annual meeting, or at any annual meeting following a change in the number of members comprising the Board of Directors, elections to the Board shall be held in such a manner that the terms of office of not more than a bare majority of the board expire at the same annual meeting. At the first annual meeting a bare majority of the members comprising the Board of Directors shall be

electd for a term of one year and the others for a term of two years. Whenever the number of members on the board of directors is increased by amendment to the by-laws, one-half of such additional members shall be elected at the first annual meeting following the approval of the amendment for one year and one half for two years. Thereafter the term of office for directors shall be for two years and until the election of their respective successors.

3. Any vacancy on the Board of Directors or Credit Committee shall be filled by vote of a majority of the remaining directors; but the director or committeeman so elected shall hold office only until the next annual meeting of the members, at which meeting a director or committeeman shall be elected to complete the unexpired term (unless the term expires at the time of such meeting).
4. Regular meetings of the Board of Directors shall be held during the.....week of each month. The President, or in his absence the vice-president, may call a special meeting of the Board at any time; and shall do so upon the written request of any three directors. Notice of meetings of the board shall be given in such manner as the board of directors may from time to time, by resolution, prescribe.
5. The Board of Directors shall have the general direction and control of the affairs of this Credit Union. In addition to the duties customarily performed by directors, the Board shall :—
 - (a) Act upon all applications for membership.
 - (b) From time to time fix the amount and character of, and approve, surety bonds required for any persons handling or having custody of funds, and may authorize the payment of the premium or premiums therefor, by the Credit Union.
 - (c) Recommend the declaration of dividends.
 - (d) Fill vacancies in the Board of Directors and in the Credit Committee as herein provided.
 - (e) Determine from time to time the maximum number of shares that may be held by any member.
 - (f) Determine from time to time the interest rates on loans and the maximum amount that may be lent with or without security, to any member within the limitations prescribed by law.
 - (g) Designate the bank of deposit of the Union funds.
 - (h) Authorize the writing off of Bad Debts.
6. A majority of the directors specified by the by-laws shall constitute a quorum for the transaction of business at any meeting thereof; but less than a quorum may adjourn from time to time until a quorum is in attendance. Written notice of an adjourned meeting need not be given the Directors.
7. If a director or Credit Committee member fails to attend regularly the meetings of the Board of Directors or Credit Committee for three consecutive months, or otherwise fails to perform any of the duties devolving upon him as a director or credit committee member, or ceases to be a member of the Union, his office may be declared vacant by the Board of Directors and the vacancy filled as herein provided.

Section Eight — Officers and Their Duties

1. The officers of this Credit Union shall be a President, a Vice-President, a Treasurer, and Secretary, all of whom shall be elected by the board of directors and from their number. The officers of the treasurer and secretary only may be held by the same person.

Unless sooner removed as herein provided, the officers elected at the first meeting of the Board of Directors shall hold office until the first meeting of the Board of Directors following the first annual meeting of the members, and until the election of their respective successors.

2. Officers elected at the first meeting of the board of directors following the annual meeting of the members shall hold office for a term of one year, and until the election and qualification of their respective successors: Provided that, however, any person elected to fill a vacancy caused by death, resignation, or removal of an officer shall be elected by the Board to serve only during the unexpired portion of the term of such officer, and until his successor is duly elected and qualified.
3. The President shall preside at all meetings of the members and at all meetings of the Board of Directors; shall counter-sign all cheques of this Credit Union, notes, and other orders for the disbursement of funds: and shall perform all such other duties as customarily appertain to the office of President or as he may be directed to perform by resolution of the Board not inconsistent with the provisions of law or of these by-laws.
4. The Vice-President shall have and exercise all the powers, authority, and duties of the president during the absence or disability of the latter.
5. The Treasurer shall be the general manager of this Credit Union. Before entering upon his duties, he shall give a proper bond with good and sufficient surety, in amount to be determined by the Board of Directors as herein provided, conditional upon the faithful performance of his duties. He shall have custody of all funds, securities, documents and other assets of this Union except his own fidelity bond, which shall be held in the custody of the Supervisors. He shall sign all cheques, notes, and other obligations of the Union. He shall provide and maintain full and complete records of all the assets and liabilities of this Credit Union. Within seven days after the close of each month, he shall prepare and submit to the Board of Directors a financial statement showing the condition of this Credit Union as at the close of the month, and shall immediately post a copy of such statement in a prominent place in the office of the Union, where it shall remain until replaced by the statement of the next subsequent month. He shall also forward a copy thereof to the Credit Union Department of the movement at 379 Collins Street, Melbourne.
6. The Board of Directors may appoint an assistant Treasurer and authorize him, under the direction of the Treasurer, to perform any of the duties devolving on the Treasurer, including the signing of cheques. He may also act as Treasurer during the absence of the Treasurer, or in the event of his disability. Where this authorisation is made, the assistant Treasurer shall give a proper bond with good and sufficient security, on an amount to be determined by the Board of Directors on his appointment.
7. The Secretary shall prepare and maintain full and correct records of all meetings of the members and of the Board of Directors. He shall give, or cause to be given, in the manner prescribed in these by-laws, proper notice of all meetings of the members; and shall perform such other duties as he may be directed to perform by resolution of the Board of Directors not inconsistent with the provisions or of these by-laws.

Section Nine — Credit Committee.

1. The Credit Committee shall consist of members.
2. At the first annual meeting, or at any annual meeting following a change in the number of members comprising the Credit Committee, elections to the committee shall be held in such manner that the terms of office of not more than a bare majority of the committee shall expire at the same annual meeting. At the first annual meeting a bare majority of the members comprising the credit committee shall be elected for a term of one year, and the others for a term of two years. Whenever the number of members of the committee is increased by amendment of these by-laws, one half of such additional members shall be elected at the first annual meeting following the approval of the amendment of one year, and one half for two years. Thereafter the term of office for committeemen shall be for two years and until the election of their respective successors.
3. The Credit Committee members shall choose from their number a Chairman and a Secretary. The Secretary of the Credit Committee shall prepare and maintain full and correct records of all action taken by the committee. The offices of Chairman and Secretary of the Credit Committee may be held by one person.
4. The Credit Committee shall hold such meetings as the business of this Union may require, and not less frequently than once a month. Due notice of such meetings shall be given to members of the Committee by the Treasurer.
5. The Credit Committee shall inquire carefully into the character and financial condition of each loan applicant and his sureties (if any) to ascertain their ability to repay fully and promptly the obligations incurred by them, and to determine whether the loan sought is for a provident and productive purpose, and will be of a probable benefit to the borrower. The Credit Committee shall endeavour diligently to assist applicants in solving their financial problems.
6. No loan shall be made unless approved by a majority of the entire committee and by all of the members of the committee who are present at the meeting at which the application is considered.
7. Subject to the limits imposed by law and these by-laws and the instructions of the Board of Directors, the Credit Committee shall determine the security, if any, which shall be required for each loan and the terms upon which it shall be repaid. When there are more applications than can be granted with the available funds, preference shall be given to the smallest amount first, and to the others in order of amounts rising from the lowest to the highest: Provided that loans for urgent purposes will be considered first irrespective of their amounts.

Section Ten — Supervisory Committee.

1. The Supervisory Committee shall consist of members, none of whom shall be directors. Members of the supervisory committee elected at the annual meeting shall be elected from the members and shall hold office for the term of one year and until the election of their respective successors. In the event of a vacancy in the committee, the remaining members may fill such vacancy until the appointment of a successor.
2. The Supervisory Committee shall choose from among their members, a Chairman and a Secretary. The Secretary shall maintain a full and correct record of all action taken by it. The offices of chairman and secretary may be held by the same person.

3. The committee shall make, as at the end of each quarter, an examination of the affairs of the Credit Union, including an audit of its books, and shall make a written report thereof to the Board of Directors; and shall prepare and submit to the members at each annual meeting a written report on the condition and affairs of this Credit Union. It shall prepare and forward a copy thereof to the Credit Union Department of the Movement.
4. By unanimous vote the supervisory committee may suspend until the next meeting of the members, any director, officer, or member of the Credit Committee. In the event of any such suspension, the supervisory committee shall call a special meeting of the members to act on such suspension within seven days thereof. The notice of any such special meeting shall state the purpose for which it is to be held.
5. The Committee shall cause the passbooks and accounts of all members to be verified with the records of the treasurer from time to time, not less frequently than every six months.
6. By the affirmative vote of a majority of its members, the supervisory committee may call a special meeting of the members to consider any violation of the by-laws of this Credit Union; or to consider any practice of this Credit Union which the committee deems to be unsafe or unauthorised. Notice of any such special meeting shall be given in the manner elsewhere provided.

Section Eleven — Loans to Members.

1. Except as otherwise provided in Section XV. para. 4(b), loans shall be restricted to members, and shall be made for provident or productive purposes only.
2. Rates of interest shall be fixed from time to time by the Board of Directors; and shall in no case exceed 8 per cent. per annum (in Vic.) on the amount of the principal, inclusive of all charges incidental to making the loan.
3. No loan shall be made to a director, officer, committee member, or to a member who has left the field of membership, in excess of the amount of his shareholdings in this Union. No director, officer, or committeeman shall act as endorser or guarantor for borrowers from this Union.
4. A borrower may repay his loan prior to maturity, in whole or in part, on any business day.
5. Applications for loans shall be in the specified form, and shall in each case set forth the purpose for which the loan is desired, the security, (if any), and any other data that may be required.
6. All applications for loans and the reports of the Credit Committee thereon shall be filed as part of the permanent records of this Union.
7. A member failing to pay an instalment on a loan when due, unless excused therefrom for good reason by the directors, shall pay a fine of per week for each 5/- or fraction thereof remaining in arrears: Provided, however, that in no case shall the fine exceed The Board of Directors may take such action towards collecting loans in default as may in its judgment be advisable.

Section Twelve — Reserves.

1. All entrance fees and fines, and twenty per cent. of the net earnings of each year (before the declaration of any dividend) shall be set aside as a reserve against possible bad debts, which shall not be distributable except in case of final liquidation.

Section Thirteen — Dividends.

1. At the annual meeting only, on recommendation of the Board of Directors, a dividend may be declared from the net earnings remaining after the setting aside of twenty per cent. thereof for the reserve against Bad Debts. Any such dividend shall be paid only on shares fully paid up before and remaining outstanding on.....
2. No dividend shall be authorised, or paid at the rate in excess of 6 per cent. per annum.
3. A member shall be deemed to have one fully paid share for eachpaid in, regardless of the number of shares for which he has subscribed.

Section Fourteen — Deposits and Disbursement of Funds — Investment.

1. The funds of this Credit Union shall be deposited in.....
2. All funds of this Credit Union (except those mentioned in para. 3 of this section) shall be deposited in such qualified bank of deposit as the Board of Directors may decide, and shall be so deposited within forty-eight hours of their receipt.
3. All disbursements of funds of this Credit Union shall be made by cheques signed by the Treasurer or a duly authorised assistant, and countersigned by the President: Provided, however, that the Board of Directors may by resolution provide for the establishment and replenishment, at least annually, of a petty cash fund not exceedingfor postage and other expenses of the Union.
4. The Funds of the Union shall be invested only in :—
 - (a) Loans to Members.
 - (b) Loans to other Credit Unions in the total amount not exceeding 25 per cent. of this Union's paid in capital and surplus.

Section Fifteen — Expulsion and Withdrawal.

1. A member may be expelled by a two-thirds majority of the members for the time being, for any abuse of the Constitution or violation of the by-laws of this Union, providing that such a member receives a reasonable opportunity to state his case before the next general meeting, or a special general meeting called for the purpose, and submits to its decision.
2. Expulsion or withdrawal shall not operate to relieve a member of any liability to this Credit Union. All amounts paid in on shares by expelled or withdrawing members, prior to their expulsion or withdrawal, shall be paid to them in the order of their withdrawal or expulsion, but only as funds become available and only after deducting therefrom any amounts due from such members to this Credit Union.

Section Sixteen — Minors.

1. Shares may be issued in the name of a minor, or in trust therefor. When shares are so issued in trust, the trustee must be a member of this Credit Union in his own right, and the name of the beneficiary must be stated.

Section Seventeen — General.

1. All power, authority, duties, and functions of the members, directors, officers, or employees of this Credit Union, pursuant to the provisions of these by-laws, shall be exercised in strict conformity with

the applicable provisions of laws and regulations issued thereunder, and of the charter and by-laws of the Union.

2. The officers, directors, members of committees, and any employees shall hold in strictest confidence all transactions of this Union with its members and all information respecting the personal affairs of members.
3. The Board of Directors may, by resolution, designate another member of this Union to act temporarily in the place and stead of any officer who is absent, disqualified, or otherwise unable to perform the duties of his office. The board of directors may also, by resolution, designate another member or members of this Union to act on the credit committee when necessary in order to obtain a quorum.
4. No director, committee member, officer, agent, or employee of this Union shall in any manner directly or indirectly, participate in the deliberation upon or the determination of any question affecting his pecuniary interest or the pecuniary interest of any corporation, partnership, or association (other than this Credit Union) in which he is directly or indirectly interested. In the event of the disqualification of any director respecting any matter presented to the Board of Directors for deliberation or determination, such director shall withdraw from the meeting during such determination or deliberation; and in such event, the remaining qualified directors present at the meeting, if constituting a quorum with the presence of the disqualified member, may exercise with respect to this matter all the powers of a normal quorum. In the event of the disqualification of any member of the credit committee or of the supervisory committee, such member shall withdraw from the meeting during such deliberation and determination; and in such event the remaining qualified committee members present at the meeting may select from the membership of the Union an alternate committee member to act with them in regard to the matter in connection with which the disqualification operated.

Copies of the organization papers of this Credit Union, its by-laws or amendments, returns of nominations and elections, proceedings of all regular and special meetings of the members and of the directors shall be recorded in the minutes book of this Credit Union. The minutes of the meetings of the members, the Board of Directors, and the members of the committees, shall be signed by their respective chairman or presiding officers and by the person acting in the place of the secretary at such meetings.

6. All books of account and other records of this Credit Union shall at all times be available to the Directors and Committee Members of this Union and to the Credit Union Department of the Movement.

Section Eighteen — Amendments to By-Laws.

1. Amendments to these by-laws may be adopted by the affirmative vote of two-thirds of the members of the Board of Directors at any duly held meeting thereof, if the members of the board have been given seven days' notice of such meeting, and the notice has contained a copy of the proposed amendment or amendments. Such decision of the Board of Directors must be submitted to the first general meeting held subsequently, for ratification or veto.
2. A copy of any such amendment or amendments must be forwarded to the Credit Union Department of the Movement within thirty days of ratification by the General Meeting.